

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 2000-642

August 29, 2000

OXFORD TEL & TEL D/B/A OXFORD LONG DISTANCE
OXFORD COUNTY TELEPHONE SERVICES CO.
Request for Authority to Mortgage
Assets and for Authorization of Loan

ORDER APPROVING
FINANCING REQUEST

WELCH, Chairman; NUGENT and DIAMOND, Commissioners

In this Order we approve the Joint Application for Authorization of Loan and Mortgage of Assets filed by Oxford County Telephone and Telegraph Company (Oxford County Tel & Tel), d/b/a Oxford Long Distance, and Oxford County Telephone Service Company, d/b/a Oxford Networks (together the "Joint Applicants"). The Joint Applicants filed their request on July 27, 2000, along with a Motion for Protective Order, which asked that the Summary Term Sheet and related information be afforded confidential treatment and be protected from disclosure. The Hearing Examiner denied the Joint Applicants' Motion, and on August 23, 2000, the Joint Applicants filed an Amendment to Motion for Protective Order, which provided additional support for the request. On August 28, 2000, a Protective Order, which afforded the Summary Term Sheet confidential treatment, was issued. Our approval is based on the information provided by the Joint Applicants in the confidential Summary Term Sheet and additional information provided in response to informal discovery.

Although the Joint Applicants are affiliated interests of Oxford Telephone Company and Oxford West Telephone Company, both of which are incumbent local exchange carriers (ILEC), the Joint Applicants operate as competitive entities in the telecommunications industry. Oxford Long Distance competes with all other interexchange carriers (IXCs), of which there are over 260 certified to provide intralata service in Maine and many more that have Federal Communications Commission authority to provide interlata service. Oxford Networks is considered a competitive local exchange carrier (CLEC) that competes against Verizon and all other ILECs for basic local service customers in the State. Nevertheless, the Joint Applicants are public utilities organized under the laws of Maine, and thus according to the provisions of Title 35-A M.R.S.A. §§ 902 and 1101, they must obtain Commission approval prior to obtaining financing or mortgaging their property. Because the Joint Applicants must compete for customers, and because customers have numerous other providers from which to choose, our review of their financing and mortgaging terms and conditions is less stringent than if one or both of the Joint Applicants were an ILEC. We approve the proposed financing under the condition that the terms and conditions contained in the final loan agreements are substantially similar to those included in the Summary Term

Sheet supplied by the Company. The main concern of the Commission with loans of this type is that the credit capability of the borrowers' affiliated ILECs is not impaired by the Joint Applicants' borrowing. In this case the term sheet indicates that the ILECs are not acting in any way as guarantors for the loans, although as discussed below, the stock of the ILECs is pledged as collateral by the parent company, Oxford County Tel & Tel. In any future ratemaking proceeding, Oxford Telephone and Oxford West Telephone are responsible for showing that their ability to raise capital under the most favorable terms is not impaired by the borrowing of the Joint Applicants.

There is one issue concerning the stock of the ILECs that requires clarification and emphasis to the Joint Applicants and their lender. The borrower, Oxford County Telephone and Telegraph Company, is the parent of Oxford County Telephone Company and Oxford West Telephone Company, both of which are ILECs. As collateral for the proposed borrowing, Oxford County Tel & Tel has pledged all of its assets, one of which is the stock of the two ILECs. Should Oxford County Tel & Tel ever default on the proposed loan, the lender would presumably attempt to gain control of the stock of the ILECs in order to attempt to recoup some or all of the remaining balance of the loans. Before the lender could take that step, however, it would be required to obtain Commission approval under Title 35-A M.R.S.A. § 708, because that attempt would constitute a reorganization.

Pursuant to an Amended Delegation Order dated January 9, 1996, in Docket No. 94-401, the Commission delegated to the Director of Finance, pursuant to 35-A M.R.S.A. § 107(4), the authority to approve the issuance of stocks, bonds and notes by telecommunications and electric utilities, as required by Chapter 9, 35-A M.R.S.A., in those circumstances involving lending by the Maine Municipal Bond Bank, the Rural Utilities Service (RUS), the National Rural Utilities Cooperative Finance Corporation (CFC), the Rural Telephone Bank (RTB) and the CoBank, ACB. The approval by the Director of Finance must be in the form of a written order. In the current case, the lender is the Rural Telephone Finance Cooperative, a subsidiary of the CFC, and thus, the Director of Finance has delegated authority to approve the financing.

Having reviewed the information supplied by the Joint Applicants regarding the proposed loans, it is the opinion of the Commission that the proceeds of the issuance of the securities are required in good faith for the purposes enumerated in 35-A M.R.S.A. § 901. In approving this securities issue, consistent with normal practice and pursuant to 35-A M.R.S.A. § 902(4), the Commission does not imply approval of the Company's capital needs, capital costs or capitalization ratio for ratemaking purposes, nor does this Order limit or restrict the powers of the Commission in determining or fixing any rate. Therefore, pursuant to the Amended Delegation Order dated January 9, 1996, in Docket 94-401, I

O R D E R

1. That Oxford County Telephone and Telegraph Company may enter into loan agreements for itself, d/b/a Oxford Long Distance, and on behalf of its wholly-

owned subsidiary, Oxford County Telephone Service Company, under substantially the same terms and conditions described in its Term Sheet.

2. That Oxford County Telephone and Telegraph Company shall inform the Commission of its doings with regard to the proposed loans within sixty (60) days of the date of the closing of the loans, or by December 31, 2000, whichever shall come first.

Dated at Augusta, Maine, this 29th day of August, 2000.

BY ORDER OF THE ACTING DIRECTOR
OF FINANCE

Richard Kania
Acting Director of Finance

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within 30 days of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Civil Procedure, Rule 73, et seq.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.